

11.13.00.00 - MASTER TENANCIES

11.13.01.00 General

Right of Way staff shall manage all rental properties that do not require special consideration. Use of a master tenancy lease is appropriate for managing properties under the conditions listed below.

- Motels, hotels, and rooming houses where a high level of service to tenants is required.
- Certain residential, commercial, or industrial properties located in areas where management by local residents is the only effective way to obtain cooperation of individual tenants in upkeep of the property.
- Large residential apartment properties (containing 16 or more units) where current state law requires a resident manager or custodian and where payment for services would exceed use of one apartment.

11.13.02.00 Lease Form

Wherever possible, the basic lease form shall be the state's standard lease, RW 11-2, with minor modifications to meet special conditions of a particular property.

11.13.03.00 The Master Tenant

A master tenant is the state's lessee of income residential or commercial property capable of being sublet into two or more rental units. Master tenants are obtained through negotiations or by successful bid on an advertised lease for a particular property. As lessee, the master tenant assumes complete responsibility for management, control, and maintenance of the leased property, subject to all the terms and conditions of the lease.

11.13.04.00 Factors to Consider

The major benefit derived from a master tenancy is that the master tenant theoretically assumes all problems associated with the rental property while providing the state with appropriate rental income from the leased property.

The determination on whether a parcel will be leased to a master tenant should be based on several factors including, but not limited to:

- Difficulty in managing a large furnished apartment, motel, or rooming house where the state does not purchase the furniture and various utilities are supplied to the units from a single meter.
- Long distance between the district office and the property.
- Potential loss of income to the state due to high vacancy factors.
- Management problems such as handling of trash service, night lights, and swimming pools.
- Language barriers.

11.13.05.00 Approval

The DD or authorized delegate is authorized to approve all master tenancy leases.

11.13.06.00 Documentation

The agent preparing the proposed master tenancy agreement shall provide the following documentation to the DD or authorized delegate approving the lease.

- Brief description of the property, condition, and number of units.
- Reasons why master tenancy is the best form of property management.
- A statement specifying that an interior and exterior inspection of the property has been performed, what conditions require correction, and who will perform the work.
- A statement that notices signed by individual tenants will be obtained to confirm the non-RAP eligibility of the tenancy and a statement that the building will be posted with such a notice. A system for monthly review of changes in tenancy and receipt of signed non-RAP eligibility statements for all new tenants must be established.
- A statement that district staff will perform interior and exterior inspections semiannually

and that the master tenant will correct conditions of disrepair or the tenancy will be terminated.

Master tenancy agreements may be written for varying lengths of time at the district's discretion. The agreements should be written for time periods that are commensurate with district clearance schedules, which are generally controlled by certification dates. On occasion the normal length of a lease (one year) may be extended to encourage a master tenant to take over certain property. For example, extension is appropriate when the master tenant needs a longer time to recover anticipated costly expenses incurred in rehabilitating property at lease onset.

11.13.07.00 **Minimum Acceptable Lease Rate**

The district should establish a minimum acceptable lease rate prior to advertising for bids for a master tenancy or prior to negotiating a master tenancy directly with a grantor. In determining the lease rate, consideration should be given to the following:

- Physical condition of the property.
- Location within the community.
- Type of tenants.
- Present or future market demands within the area for the type of rental.

11.13.08.00 **Advertising Availability of Master Tenancy**

The district should maintain a list of prospective master tenants, including referrals, interested persons who have made inquiries, and past master tenants who have performed satisfactorily.

The availability of a specific master tenancy agreement should be advertised in metropolitan newspapers as well as local newspapers serving the area where the property is located. The advertisement should announce:

- Availability of the lease.
- Type and number of units.
- Expected length of tenancy.

- Date the property will be available for inspection.

The ad should request interested parties to phone or write the district for a brochure or flyer with the particulars as well as bidding requirements and procedures.

11.13.09.00 **Bid Proposal Package**

Bid proposal packages that are mailed to interested parties shall contain items that are compatible with the proposed lease. See the table entitled "Items Included in Bid Proposal Package" on the following page and Exhibits 11-EX-18 through 11-EX--24 for a complete bid proposal package.

11.13.10.00 **Lease Clauses**

The following clauses are added or modified to make the standard lease form applicable to a master tenancy situation:

- **Clause (4), Second Paragraph** - This is used to preclude the master tenant from indiscriminately terminating a tenant who is eligible for relocation services (RAP) without the state having prior notice of the planned termination.
- **Clause (5), Second Paragraph** - This permits the state as lessor to require service of notices of termination on the lessee's subtenants. The lessor agrees to grant a prorata reduction in the lessee's rate for those tenants vacated by the lessor's action.
- **Clause (6), Second Paragraph** - This refers to the repair, rehabilitation, and maintenance requirements contained in the "Terms of Auction" (see Exhibit 11-EX-19).
- **Clause (6), Third Paragraph** - This requires the lessee to maintain the property equivalent to neighborhood standards during the lease term. It further states that if the lessee fails to perform the required work, the state shall cause the work to be accomplished and the costs shall be paid from the lessee's security deposit.
- **Clause (7), Second Paragraph** - This is used to prevent the lessee from raising rents without the state's written approval.

- **Clause (13), Second Paragraph** - Lessee is required to furnish each new tenant two copies of the state's notice stating that no relocation payments shall be forthcoming to that new tenant. The tenant shall acknowledge one copy and return it to the state (Exhibit 11-EX-25).

11.13.11.00 Bid Opening and Award

Bid proposals shall be opened and read publicly at the time and date specified in the "Notice to Bidders and Interested Parties."

Although the lease will normally be awarded to the highest responsible bidder, the state reserves the right to refuse any and all bids. The district shall retain the bids and deposits of the highest responsible bidder and the second highest responsible bidder until the successful high bidder has complied with all the terms contained in the "Terms of Auction" notice. When these terms have been met to the district's satisfaction, the district shall return the second highest bidder's deposit and mail a letter reporting the bid results to all unsuccessful bidders (see Exhibit 11-EX-26).

11.13.12.00 Commencement of Standard Lease Procedures

Processing and handling of the master tenancy agreement is identical to the standard leasing procedures for other state-owned property. Refer to Subchapter 11.12.00.00 for details.

11.13.13.00 Posting of Public Notice

After final approval of the lease, the district shall post a public notice sign on all residential properties under a master tenancy agreement (see Exhibit 11-EX-27). The sign shall be readily visible to prospective tenants and shall advise that all persons commencing tenancy on the premises after the date indicated shall not be eligible for relocation assistance payments as provided in Government Code Sections 7260 through 7274. The date to be inserted on the sign shall be the date the state obtains legal possession of the premises. Posting of this public notice sign is mandatory and is in addition to the requirement that the lessee furnish each new tenant with a written notice with the same information

ITEMS INCLUDED IN BID PROPOSAL PACKAGE		
Item	Form/Exhibit	Description
Notice to Bidders and Interested Parties	Exhibit 11-EX-18	This notice sets forth the address of the lessor; indicates date and time sealed bids shall be opened; and makes specific remarks about allowing only one bid from any one person, corporation, or firm.
Terms of Auction	Exhibit 11-EX-19	This details the required amount of money to be submitted with the bid, the manner in which payment is to be made, where payments are to be received, and the amount of security deposit required as a guarantee that the required maintenance shall be performed. It also sets forth the maintenance requirements that shall be met by the successful bidder and the time limit allowed for work to be accomplished.
List of Tenants in Possession	Exhibit 11-EX-20	This sheet lists by address the tenants in possession with their corresponding rental rates and number of bedrooms. It also sets forth who is responsible for certain utilities. This information is significant with respect to Clauses (4) and (7) of the state's lease. The list of tenants in possession is actually incorporated into the lease.

ITEMS INCLUDED IN BID PROPOSAL PACKAGE (Continued)		
Item	Form/Exhibit	Description
Inventory	Exhibit 11-EX-21	This inventory shows by apartment or rental unit certain features or improvements for which the master tenant shall be held accountable. Such items as drapes, garbage disposals, wall-to-wall carpeting, and built-in range and oven are included.
Bid Proposal	Exhibit 11-EX-22	<p>The proposal form shall be fully executed by the bidder, who is responsible for completing the following:</p> <ul style="list-style-type: none"> • Address of the property. • Monthly lease rate willing to pay. • Signature with printed name and date. The "Important Notice" portion sets forth how the bid is to be signed in the event the bidder is a corporation, partnership, or firm. • Bidder's telephone number, business address, or home address for refunding money to unsuccessful bidders. • The bid proposal shall be accompanied by the first month's rent, as bid, and it shall be paid in the manner set forth in the "Terms of Auction." Failure to do so in the manner described is basis for rejection of the bid. <p>To be considered, the bid proposal, in proper order, shall be received at the District Office by the time specified in the "Notice to Bidders."</p>
Rental Application	Form RW 11-5	The completed form shall be submitted at the time the bid proposal is submitted. The form is used by Property Management to determine the bidder's financial responsibility.
Sample Lease Agreement	Exhibit 11-EX-23	This sample master tenancy agreement is the state's standard lease RW 11-2 with minor modifications (see Section 11.13.10.00).
Bid Proposal Mailing Envelope	Exhibit 11-EX-24	This envelope shall be marked for return to Property Management and identified as a sealed bid for a particular property. The date and time of the bid opening shall also be indicated.